

This record is a partial extract of the original cable. The full text of the original cable is not available.

C O N F I D E N T I A L SECTION 01 OF 04 ROME 000864

SIPDIS

SIPDIS

DEPT FOR EUR/FRIED, NEA/WELCH, IO/SILVERBERG; NSC FOR HADLEY; DOD FOR EDELMAN

E.O. 12958: DECL: 03/20/2016

TAGS: [PGOV](#) [PREL](#) [IT](#) [ITALY](#) [NATIONAL](#) [ELECTIONS](#)

SUBJECT: ITALIAN ELECTIONS: WHAT IF THE CENTER-LEFT WINS?

(PART II OF II)

REF: A. (A) ROME 839  
B. (B) ROME 768  
C. (C) ROME 724  
D. (D) ROME 584  
E. (E) ROME 501  
F. (F) ROME 371  
G. (G) ROME 342

Classified By: Ambassador Spogli, for reasons 1.5 (b)(d).

¶1. (C) Summary. Septel outlines the possible outcomes of the April 9-10 Italian elections; as of now, the center-left has a slight edge in polling, suggesting neither the left nor the right will win with a large mandate. We predict: (1) budget constraints will challenge the next government's ability to undertake new foreign policy or security commitments; (2) a narrow margin of victory for either coalition will lead to greater political instability; and (3) political paralysis over government formation may last through the summer and potentially longer.

¶2. (C) If the center-left wins, we can and will work with a Prodi government that will provide relative continuity in Italy's foreign policy. But the days of Italy automatically engaging on our behalf will be over as Prodi seeks to deliberately subordinate Italian foreign policy to the EU. To maintain current Italian initiatives, we will have to work much harder and expect more bumps along the road.

¶3. (C) We will need to engage early and often to shore up center-right support and build a center-left consensus on key issues including Italy's relationship to NATO/trans-Atlantic relations, Iraq (troop withdrawal and PRT implementation), Italy's 2007 UN Security Council seat, Iran (UNSCR), MLAT/legal cooperation (Abu Omar); Hamas/Israel, Russia (energy/democracy issues) and economic/commercial interests (defense procurement, growth/competitiveness, GMOS). Post has been engaging on these issues with key center-left leaders; as elections outcomes unfold, we recommend adding high-level visits to/from Washington to ensure Italy remains our strongest ally in continental Europe. End Summary.

Budget Woes

-----

¶4. (C) Regardless of who wins, spiraling debt and a stagnant economy mean the next Italian government will have to struggle to maintain key foreign policy commitments in Iraq, Afghanistan and the Balkans. The 2006 budget already cut foreign aid by 27 percent (Afghan aid protected so far) and reduced military spending to approximately 0.9 percent of GDP, with funding for overseas military deployments (a separate line item) cut by 20 percent. With a budget deficit/GDP ratio of 4.1 percent, Italy has already exceeded its EMU ceiling of 3.5 percent. Although the EC has been silent on this transgression, further deterioration would invite meddling by Brussels, and a CL government might be more inclined than Berlusconi has been to respond with further spending cuts. We should focus our efforts on maintaining existing commitments and lower expectations of significant pledges of additional financial support or materiel for new initiatives.

Political Paralysis/Instability

¶5. (C) Unless the center-right (CR) wins a big mandate, which seems unlikely, we expect a prolonged period of political paralysis within/among coalitions as they form a government and elect a new president and prime minister. This could mean April-July government formation, followed by the summer holiday hiatus, and the fall dedicated to a budget fight that could crack a weak, new coalition with a narrow majority--for example, a center-left (CL) government dependent on its extremist elements (Greens, Communists). This scenario could prompt a relapse to Italy's past pattern of frequent government turnovers.

Engagement Strategies

-----

16. (C) We have begun to engage key CL leaders on areas of concern, first and foremost the belief voiced by DS leader D'Alema (Ref C) that "the road to Washington leads through Brussels." The best news is that the CL's likely choice for Foreign Minister, DS Party Secretary Piero Fassino, supports U.S. policy goals on Iraq, Iran, NATO and Israel (Ref E). However, if Prodi's more extreme coalition partners do well at the polls, they will certainly demand key ministerial/undersecretarial positions and press for unwelcome shifts in foreign policy. Ambassador has laid down clear markers with the CL on Iraq policy, NATO/the trans-Atlantic relations, Iran, Hamas, terrorism, Russia/energy, and Afghanistan.

17. (C) This election is focused more on Italy's dismal economic conditions than on foreign policy issues. A strong CL win would bring unions and traditional 'social partners' back into power with predictable demands for increased social spending that could erode foreign/defense commitments. On the economic front, we anticipate the need to engage the CL on defense procurement and GMOs and to press for economic reforms that underpin Italy's ability to project power overseas.

18. (C) The CR, behind Berlusconi's strong leadership, has courageously adopted unpopular policies, especially on Iraq. A weakened CR showing at the polls, however, will undermine that courage as politicians scramble for position in leadership fights and intra-coalition negotiations. As the election outcomes unfold, we will need to also engage CR leaders to shore up their commitment to our shared objectives.

#### Key Problem Issues

---

19. (C) EU Bias: Should the CL win, former EC Commissioner Prodi will deliberately subordinate Italian foreign policy to the EU. Implicit in this approach (a fundamental change from Berlusconi's efforts to leverage our bilateral relationship to make Italy a "first tier" European power) is the belief that no single state can interact with the U.S. as an equal (Ref G). Therefore, the EU should be strengthened as a counterweight to U.S. power. DS leader D'Alema and Daisy Party leader Rutelli (Refs A,C,F) insist, however, that stronger ties with the EU will not weaken ties with the U.S. The CL supports: an EU foreign minister; EU seats in the IMF, WB and UNSC; a European-wide 2009 referendum on the EU Constitution; accession of Romania, Bulgaria and Croatia; and Turkish accession conditioned on compliance with the Copenhagen criteria (Ref G).

10 (C) We recommend high-level Washington engagement early (May/June/July) to reinforce the benefits of strong bilateral cooperation and the management of trans-Atlantic relations through NATO, not the EU.

11. (C) Iraq: Berlusconi all but removed Iraq as an election issue by announcing that Italy's current military mission will become a largely civilian force by the end of 2006. The CL has multiple voices on Iraq; Prodi has said he will demand a troop withdrawal timetable but will consult with the U.S. and the Iraqi government on a transition to a democracy-building role (Refs F,G). Our main concern is coordinating with Rome on the implementation of withdrawal and on the establishment of an Italian-led PRT in Dhi Qar, especially during a transition period when key Italian government posts may be vacant. The proposed May/June US/UK/GOI trilaterals would be our first opportunity to seriously engage the new government on Iraq, and we should have the highest representation possible at that meeting.

12. (C) UN: Italy will assume a seat on the UNSC in January 2007, but Prodi and Rutelli (Refs F,G) claim they support making this an "EU seat," even if this means relinquishing Italian sovereignty. At a minimum, this approach could slow and/or complicate our work in New York.

13. (C) Iran: The CL has been firm in opposing Iran's nuclear ambitions, but energy and trade needs will complicate their position on possible UN sanctions (Ref A,C). Upset at not being adequately consulted on EU-3 negotiations, Italy likely will use its UNSC seat to ensure greater inclusion in EU policy formation. This presents an opportunity for engagement that we should pursue in late summer/early fall.

14. (C) NATO/Transatlantic Relationship: The CL election manifesto includes no mention of NATO, although CL leaders reassured the Ambassador they considered it central to Italian foreign and security policy (Refs A,B,D). While the MFA NATO desk believes that Italian NATO policy will not change dramatically, the CL manifesto says they will deploy international missions and authorize the use of force only under an EU/UN umbrella, conspicuously not mentioning NATO as a source of legitimacy for such operations. The CL support

for CFSP and ESDP as part of an "autonomous" European defense could translate into a preference for buying European, rather than U.S. defense items. We recommend a high-level Pentagon visit in early summer to bolster our position.

¶15. (C) Legal/MLAT Cooperation: The left-leaning Italian judiciary is likely to take advantage of a CL win to press for U.S. cooperation on pending extradition requests on Abu Omar; it would be difficult for a weak CL government to withstand demands from the Communists/Greens that Italy 'stand up' to America on this alleged rendition issue. The CL also supports expanded powers for the International Criminal Court and has been critical of our Guantanamo policy.

¶16. (C) Hamas/Israel: CL leaders agree that Hamas must renounce violence and at least implicitly recognize Israel by continuing the Oslo process (Ref C). We should encourage the CL, if they win, to build on the improved Italy-Israel ties created by Berlusconi and continue a balanced policy toward the Palestinians, instead of aligning only with Palestinian views, as the EU and the Italian left have done in the past.

¶17. (C) Russia: A CL win would end the special Berlusconi-Putin relationship, for better or worse. An EU-focused foreign policy could bolster CL inclinations to push Moscow on democratic reforms, its Istanbul commitments, cooperation in the OSCE, and non-interference in the affairs of its neighbors, so we should engage them at the first opportunity. Either a CL or CR government's desire to engage Moscow, however, will be tempered by Italy's dependence on Russia for energy.

¶18. (C) Afghanistan/Balkans: We do not anticipate policy difficulties with a CL government here, but budget constraints could limit Italian abilities to commit resources to new initiatives in both Afghanistan and the Balkans. We can help ensure continued support by agreeing to Italian requests that their presence in policy jobs be commensurate with their military commitments.

¶19. (C) Comment: If the CL wins, we can and will work with a Prodi government that will provide relative continuity on foreign policy issues. But a CL win would bring an end to the (Berlusconi) days of Italy automatically engaging on our behalf. We will have to work much harder and expect more bumps in the road if we are to keep Italy as our strongest ally in continental Europe. To achieve this, we recommend high-level visits to engage the new government early on, to both shore up CR commitments and build a CL consensus on key strategic goals.

SPOGLI